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C O N F I D E N T I A L TEL AVIV 006146

SIPDIS

E.O. 12958: DECL: 12/06/2014

TAGS: PGOV PREL ECON KWBG IS GOI INTERNAL

SUBJECT: LIKUD CENTRAL COMMITTEE EXPECTED TO APPROVE
COALITION TALKS WITH LABOR

REF: A. TEL AVIV 6045

1B. TEL AVIV 6007

Classified By: Political Counselor Norman H. Olsen for reasons 1.4 (b,d
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11. (C) Likud's Central Committee is expected to give Prime Minister Sharon the green light December 9 to negotiate with the Labor Party, United Torah Judaism (UTJ), and Shas to rebuild Sharon's minority government, now consisting of only Likud's 40 MKs. Sharon's proposal to negotiate with religious parties as well as Labor addresses the August 18 Likud Central Committee vote against forming any coalition comprised of only secular parties. He will nonetheless encounter some Central Committee resistance because of Labor's support for disengagement and its opposition to the budget and to financial reform. Defense Minister Shaul Mofaz is reportedly scheduled to meet December 6 with Shas Chairman Eli Yishai to advance informal coalition talks. Sharon is warning Likud members that failure to add Labor's 19 MKs to Likud's minority government will force early elections, something Likud MKs want to avoid in order to preserve the party's 2002 election windfall of 40 Knesset seats.

12. (C) Or Pearl, advisor to Likud disengagement opponent Ehud Yatom, told poloff December 6 that the strong showing by Sharon allies in the November 21 party elections has given Sharon the momentum to gain Likud support for coalition negotiations with Labor. Pearl said he is confident that the three newly elected party leaders and senior Likud ministers -- Central Committee Chair Tzachi Hanegbi, Secretariat Chair Yisrael Katz, and Bureau Chief Daniel Naveh -- will vote to begin talks with Labor because they do not want early elections. Hanegbi stated publicly, just before Shinui's dismissal, that the Central Committee would be inclined to allow Sharon to negotiate with Labor. In addition, a Channel 2 poll released December 3 in Ma'ariv says some 60 percent of Likud members support a coalition with Labor and a religious party, and only 13 percent are in favor of early elections.

13. (C) Labor Party leader Shimon Peres will likely win his party's consent for talks with Likud despite significant opposition within Labor to Sharon's budget. Peres has made advancing disengagement, and not Labor's economic agenda, his focus and priority, but some Labor MKs such as Danny Yatom and Colette Avital are intent on opposing the budget as well as Finance Minister Netanyahu's economic reforms and cuts in social programs, and could demand extensive budget revisions. Peres also told Ha'aretz December 2 that he intends to remain in a unity government until the scheduled November 2006 elections -- not just until disengagement is completed, as several Labor members proposed. If Likud approves coalition negotiations with Labor, Labor's Central Committee will likely vote December 12 to postpone party primaries. Most Labor MKs and party leadership contenders favor postponing primaries in order to foil former Prime Minister Ehud Barak's efforts to return as party leader.

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